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## CONTENTS

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	Page
PRESIDENT'S ADDRESS AT CONVENTION. By L. Belanger, C.P.A. ....	2
THE CONVENTION DAY BY DAY—September 7th, Luncheon and Afternoon Sessions .....	4
LEADERSHIP IN BUSINESS. By H. T. Jamieson, C. A. ....	8
EDUCATION FOR THE ACCOUNTANCY PROFES- SION. By Dr. Henry Laureys .....	12
CANADA'S WHEAT CROP. By Sanford Evans .....	25
CHAPTER PROGRAMS, 1927-28 .....	40

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## President's Address at Convention

By LORENZO BELANGER, C.P.A.

(At the opening of the Annual Convention, Montreal, September 7.)

**I**T is a great honour for me to preside at the opening of our Second Annual Convention, the first of the kind ever held in Montreal. It is evidence of the vitality of our Society and of its firm intention to rank where it should, with other long established scientific and professional bodies in the economy of our country, and fulfill its obligations towards the welfare and progress of Canada's trade and industries.

The business of accountancy can no longer confine itself to the mere matter of keeping books, making up audits and checking up figures and accounts. It is gradually becoming the profession on which the commercial and industrial world is relying for the data necessary to establish industry and enterprises of all character and most vitally so in conjunction with other of the professions upon which the machinery of the world's business is dependent. This branch of the business is cost accounting.

In this age of specialization, one is apt to qualify as such, anything that is out of the beaten paths or that he has not invented himself and one is careful to invent very little. Certain people will spend more in their effort to retard the development of business and accounting as a science than it would have taken them to acquire additional knowledge. I do not believe that cost accounting should be considered otherwise than as a necessary complement to the accountant's knowledge, without which his services would soon be inadequate. With modern mechanical control of accuracy of figures and other devices, a balance is soon arrived at but the analysis of accounts, costs, forecasts, budgets, study and criticism of management and administration policies are the province of the cost accountant where the trader or manufacturer will expect advice and guidance. Business intricacies and complexities of the day require constant study and experience gained from more than one isolated case. Our membership is composed of men in responsible positions or practising accountants who have felt the necessity of getting together to study, discuss and solve many prob-

## PRESIDENT'S ADDRESS AT CONVENTION

lems. They are preparing for Canada's industrial expansion where the science of business will take the place of carefree and antiquated methods. But why are they so few?

Scrutinizing business opens horizons where weaknesses are clearly shown. Our Society wishes to move swiftly forward and a vast programme is under consideration. Cost accountants are called industrial engineers in other countries and are a distinct recognized profession in some. We have in view the granting of a degree of efficiency after a serious examination. A bureau of business research is very much within the scope of the cost accountant and I believe we would have the active co-operation of our universities. We will eventually advocate a business arbitration board and possibly a tribunal of commerce along the lines of those already established in Europe.

This may look ambitious to many but we must be ahead of the progress. We must not overlook the fact that if the human mind has created the machinery of the business world long before it has been put in motion it must still keep in training to control this machinery and push it further. We have been the object of much sympathy and encouragement from the universities. Last year our first convention was held under the roof of the University of Toronto. This year we are doubly favoured since we are enjoying the hospitality of both McGill University and the University of Montreal. Let me say here how spontaneously and generously both bodies opened their doors to us and the enthusiasm they have displayed in taking such an active part in this conference. I wish to record here the expression of our profound gratitude and assure our two universities how we appreciate their support. We are proud of it and it carries with it the assurance of success in our enterprises. As to our programme I will let you be the judges. Every paper is open to discussion.

## The Convention Day By Day

SEPTEMBER 7th

### Luncheon Session

(William Carswell, C.A., Chairman.)

THE CHAIRMAN: As our time is very short, I trust you will pardon me if I give a very brief introduction to the speaker of this luncheon. We have much pleasure in having with us Colonel Bovey, of McGill, Assistant to Sir Arthur Currie. We are indebted to McGill University for a great many courtesies during the past few years, and not the least was their kindness in lending us their assistance in providing these quarters for us to-day.

Colonel Bovey is a son of one of the most renowned of McGill's late faculty, Dean Bovey, and he will speak to us to-day on The Value of Cost Accounting in Canada.

Without any further introduction, I will now call upon Colonel Bovey, who, I am sure, you will all be delighted to hear.

*(Col. Bovey's address was given in September Cost and Management.)*

THE CHAIRMAN: I think I can pay no finer tribute to Colonel Bovey's address, than to say, if we needed inspiration, we have received it at Colonel Bovey's hands. I am sure that all of you who have listened to it will be amply repaid.

MR. BELANGER: Not long ago I had occasion to speak of the Cost Accountant, and the remark was made by certain people who read the account in the newspapers, that I had put the Accountant on a pedestal, to which they never suspected he could be raised. I believe Colonel Bovey has succeeded in putting the Accountant on a much higher pedestal, and the Accountant ought to be proud of it.

He has shown, beyond any doubt, the national importance of Cost Accounting, and the position the Cost Accountant must reach—not independently or individually, because we have to conquer individuality—but we must get together for the benefit of one who is "all for one, and one for all."

I wish to offer thanks to those who have honoured us with their presence here to-day, especially Dean Mackay,

## THE CONVENTION DAY BY DAY

Prof. Sugars, Mr. Larue, Col. Thompson, Mr. Turner and Mr. Sharpe, the assistant of one of the most unpopular men in the country—the Commissioner of Income Tax.

### Afternoon Session

(George C. Leroux, Chairman.)

MR. LEROUX:—We are privileged to have with us to-day, Mr. Sanford Evans, of the Winnipeg Grain Exchange. Dr. Magill, who was to deliver an address on "Distribution of Canada's Harvest and the Operation of Wheat Pools and Co-operative Societies", has telegraphed that he was, unexpectedly, called on a Western trip and regretted very much not being able to fulfill his engagement. We are, however, deeply indebted to him, and grateful to the Winnipeg Grain Exchange, for having favoured us with such a good representative, in the person of Mr. Sanford Evans, who has so kindly consented to replace him.

Mr. Evans has been connected with the Winnipeg Grain Exchange for many years, and he is a master of his subject. The distribution of our wheat harvest and the operation of Wheat Pools are subjects of vital interest to Canadians. Gigantic wheat pools are just now receiving the approval of the United States Government.

A glance at the grain statistics shows that Canada's wheat is known the world over. As a producer Canada may not rank first, but as an exporter it leads all other countries. The Gazette review of 1925 gives the total exportable wheat surplus of the world as eight hundred and thirteen and a half million bushels, of which Canada exports three hundred and twenty-five million; the United States, seventy million; Argentina, forty-five million; Australia, twelve million, and India three million.

Our wheat export constitutes one-third of our total exports, and shows the importance of the transportation problem, and the rapid and profitable distribution of our wheat harvest.

The cost of transportation and elevator storage, to the producer, must be the lowest, in order to afford the minimum cost to the consumer.

Canada must conserve its rank as a producer and exporter, and this can be achieved only by keeping the cost of production low enough to meet the competition in foreign countries.

## COST AND MANAGEMENT

It may be noted that, during the war period, Canada did not suffer from foreign competition, as the demands of each country fully absorbed the production. Nevertheless, during the war, in order to dispose of the wheat harvest more rapidly, and to avoid undesirable exploitation, the Government of Canada established control over wheat operations, which should have obtained satisfactory results. When this control was released, in 1920, the system was continued by individual producers of the Prairie Provinces. The inception of Wheat Pools took place in 1923, in Manitoba, Saskatchewan and Alberta, the Middle West.

In 1924, a central selling agency was organized, under Dominion Charter, under the name of "The Canadian Co-operative Wheat Producers, Limited." It seems that the results obtained were favourable. As a new venture, it was naturally subject to criticism, but the necessity of establishing co-operation, in the marketing of wheat, was felt, and this made the success of the enterprise.

It is a consolation to the farmer to be backed by such a powerful organization, and this co-operation enables him to market his products with a minimum of worry.

My usual occupation is so remote from the wheat pools that, far from me the idea of entertaining you on this subject, but, as an observer, I have always followed the movements of the Western Co-operatives, with interest.

As the hour is late, without further preface, I will introduce Mr. Sanford Evans.

*(Mr. Evans' address is given elsewhere in this issue.)*

A MEMBER:—May I ask if it is the ultimate object of the Western Pool to establish a European Marketing organization, with the idea of paying the Western farmer the export price of his grain, less any cost of delivery?

MR. EVANS:—That was the object from the beginning, but they are talking now of opening offices in London, where there would be an agent but that would make no difference; some of our Exporters now have their agents on the other side.

No European is ever tempted to take grain over there and hold it, and market it after it gets there. On the long voyages, say, from Australia and Argentina, and from our own Pacific Coast, a shipper will often have to start a cargo before it is sold, but they begin at once to negotiate and effect a sale.

## THE CONVENTION DAY BY DAY

There are cases where they fail to effect a sale, and if two or three cargoes get into Liverpool, and Liverpool does not want them, you break prices.

From the Atlantic Coast of North America there is very little consignment business. There is no present prospect of any alteration of the system by which Europe lands only what it has ordered itself, and what it wants.

THE CHAIRMAN:—I wish to thank Mr. Evans for his very able lecture. It is a revelation to me, and, I am sure, to most of us, because we are all wheat consumers. He has covered his subject very ably and it has been most interesting, and I should like everybody to signify their appreciation in the usual way.

(For the address of Mr. Beaudry-Leman, Professor Sugars was requested to take the Chair.)

PROF. SUGARS:—I have the honour of presenting to you, this afternoon, Mr. Beaudry-Leman. As you will see by the program, he is vice-president of the Canadian Bankers' Association, and is also General Manager of the Banque Canadienne Nationale. He is a graduate of the University of Lille, and is therefore well acquainted with the business affairs of both sides of the Atlantic, and thoroughly qualified to speak to us on this interesting subject of whether Business constitutes a Profession.

MR. BEAUDRY-LEMAN:—Mr. Chairman and gentlemen:—I am sorry that the Chairman has chosen this occasion to say all those nice things about me, because I believe the function of Cost Accountants is mostly not to take everything for granted, but to look and see for themselves.

(*Mr. Leman's address was given in our September issue.*)

THE CHAIRMAN:—The number of important things that you have said in your very instructive address are so great that it is quite impossible to know what to praise most or which to consider most important for us.

You have established the thesis which you started out to establish, that business really constitutes a profession, and you have supported by weighty authority that Cost Accountants, and other men in business should avail themselves of the training offered by our universities.

I thank you for leaving your business and coming to give us this very instructive lecture.

## Leadership in Business

By H. T. JAMIESON, C.A.

*H. T. Jamieson & Company, Toronto.*

(Before the Annual Convention, Montreal, September 8.)

THE subject of this paper will repay study. It is perhaps the most complex of all sciences. It involves consideration and knowledge of mankind both in the mass and the individual, particularly the latter. Secondly it includes the finding of those principles by which the energies and abilities of human beings may be harmonised and of those objectives to which they should be directed and led. It is of course a study impossible of perfect solution as those who bear responsibilities are hampered, in more or less but always in some degree by their own personal strivings and imperfections. This, however, is added reason why the study should, must, be made.

Peculiarly is it a study the responsibility for which rests upon the Canadian Society of Cost Accountants and particularly is it appropriate in this year of our Lord nineteen hundred and twenty-seven, the sixtieth since Confederation of this fair Dominion of Canada.

The first problem to be faced is how to preserve and yet merge the rights of the individual in the common good; how to reconcile individuality and unity; how to develop initiative and yet ensure co-operation. The responsibility for finding the answer lies upon every head of every business. Until he finds the solution and endeavours to practice it he is not a Leader who will inspire confidence and command a following. He must examine first the motive that actuates himself in his life and business, secondly the motives of those assisting him, and thirdly how the business itself should be directed. One should look to see whether the several individual motives, all of them powerful forces, end with themselves or whether they are tempered, softened and moulded as living parts in some common purpose. Every aim should be but a means to a more distant and better aim. In our athletic days we were taught that the individual must not play his own hand if the team was to do its best as a team, also that no individual or collection of individuals could succeed against a team moved by one spirit, by one idea, by one endeavour. Another instance of co-operation is seen in our social responsibilities. The individual must first endeavour



## LEADERSHIP IN BUSINESS

to make himself sound in heart and mind, and in body. But his individual interest must be made secondary to that of the family, and that of the family, to that of the State. In turn the State protects the family and the family the individual. So should it be in business, but it is not so. Competition, which is possible of such good uses, has in business been debased in the service of self. We will find the abuse very cleverly masked but we will find it and in doing so we don't need to go outside our own businesses. The business world was only too ready to seize and justify itself by the ingenious theory of Adam Smith; the theory of individual liberty which carried to its logical conclusion means license. This theory would be acceptable if man were an animal ruled only by instinct, but he is not. We must look for a philosophy that is built upon man as a reasoning being and not as a brute. Smith overlooked reason.

One would like to see general recognition by the individual of his duty to the business; by the business of its duty to the industry; by the industry of its duty to the country, and on the other hand realisation by the country of its duty to protect every business; by every business of its duty to protect every individual. A change has been and is taking place as a result of which business is growing in length, breadth, height and depth, in the length of a common purpose; in the breadth of a common sympathy; in the height of a common vision and in the depths of a common conviction. Consideration of and by the individual will make all these possible. First the motives must be harmonised. Thereafter the means and way may be chosen, and it will be found that these are so much better than before.

Before passing to the consideration of ways and means we will consider what the objective should be. There are those who seek merely that opportunity which will yield the greatest return in the shortest possible space of time and with the least possible effort. Secondly, there are those who wish only to amass wealth and gain power, and thirdly there are those who wish to do more. In short, there are the Gets, the Haves and the Gives; the speculators, the money-made money-mad business man and the plain man with a view of something beyond himself. What does the human toad with his speculations accomplish for himself and his fellow men? Nothing. The business man does much, but could not he do more if he would break away from his vicious circle and

## COST AND MANAGEMENT

devote himself to the manufacture of such goods and the rendering of such services as would give not merely satisfaction to those engaged in their creation but real help and pleasure to those who pay for and use them? Think of the numberless shams and shoddies with which our markets are flooded. As Accountants we can use our influence in the restraint of this tendency. The trouble is that we are so apt to argue ourselves into thinking that our selfish works are doing *some* good. We can so easily argue that our ambitions are better than no ambitions. We feel we can be such shining examples of hard and successful work, and that the more we have the better will we radiate and lighten the footsteps of our weaker brethren who, less well endowed by Providence in its wisdom, have lost out in the great tug-of-war. We like to believe that we being the fittest *should* survive, should have all we want and should have the right to seize every opportunity for material gain. If, however, we can only see ourselves with a less hypocritical eye there is hope that we of this Society can use our truly great opportunities and knowledge with ever increasing wisdom. Let us therefore lend our aid to work which will improve the lot of the worker and mankind rather than to such works as will degrade.

Now as to ways and means. Firstly, we must consider the all-important question of personnel. Dr. Taylor, one of the pioneers in the modern scientific task system of Management, stresses the all-important point that in introducing a new system it must be introduced slowly if it is to succeed. He says two and even three years may be needed. The reason given is that the co-operation of all the workmen must be obtained before they collectively, as a team, will do what is wanted in the right way. The same principle is true even when operating under old fashioned old-day systems. Men will not work against their reason. But we must make an appeal which not only will rally the united physical and mental forces of our employees but also their hearts. Give men something to work for which not only gives them pride in the accomplishment, but which they understand and love to do. Give them the whole picture of the uses of the thing they are making. They will find joy in co-operating just as great as the part they played in the old days of marvellous individual handicraft. At the same time improve working conditions, always bearing in mind that men must be treated

## LEADERSHIP IN BUSINESS

as men and must not be, do not want to be, pampered. Most important of all, let those whom we command be our friends, not our servants.

Secondly, improve the health of the business itself. How many men stop to think of the business as an individual, an individual with an allotted span of usefulness and therefore deserving of consideration. How many men look upon business very much as if it were an inexhaustible mine for each and every one to dig at, Workman, Manager, Shareholder and Public? How many take the view that a business is just a farm and that you cannot take out of it any more than you put into it by investment and labour? How many are willing to forego higher wages, higher salaries, higher profits, lower prices, in order that the business may accumulate those reserves without which it cannot weather the storms of industrial existence? How many have taken a view of the Balance Sheets of a considerable number of companies engaged in the competitive struggle and found that all those that are in a sound position are possessed of reserves; that the reserve policy is the cause not the result of success. Look to the health of the business.

Thirdly, look to the need and satisfaction of the Public. Sell goods that fill a public need. Do not by high pressure salesmanship delude the public into buying what will not best serve it.

We must look to the health and well-being of the individual and of the business, but at the same time we must hold in mind our greater responsibilities.

Having built our organisation and decided the main policies upon which we wish to conduct business we will stand a better chance of winning through to success. As we navigate through the years we will be tempted to adopt force in buying and selling. It would not pay us even if we could. Look at the recent decisions in the U.S. Courts condemning price conspiracies and monopolies. They are a sign of the times. Business will grow and should grow but slowly if it is to be healthy. Make goods and render services of intrinsic, that is lifegiving, value. They will build your business. Labour policies, Purchasing policies, Selling policies will all be simpler and easier as the strain and tug-of-war are eliminated by the practice of fair play and consideration of the other fellow who always turns out to be not such a bad fellow after all. It is as a rule the system or

## COST AND MANAGEMENT

policy that is most to blame in those differences which occur in business.

Stabilize your business by adhering to the task system and standard accounts, viz: those accounts which will give a photograph of actual results against a background of reasonable expectation.

The Leader must be active and receptive. He must lead. He must not drive. He must command but only such willing service as he can inspire. He must be impressive. He must be expressive. He must dictate but he must at the same time protect. He must educate. He must learn. He must grasp multitudinous detail. He must correlate detail and distinguish the essential. In short he must work. He must think, but above all he must feel. A great leader might be defined as one who feels huge problems hugely. All of this means that a leader must be a living, vitalising, helpful, encouraging force, not a load to be carried. He must appeal to the three forces in man, his hand, his head and his heart.

You will have noticed I have said little or nothing about "volume." That idea receives altogether too much emphasis. We will therefore give it a rest.

Leadership will be found to consist of the capacity to induce progress, and at the same time to obtain and maintain Balance, Poise, Reserve. In this work our Society is showing the way. We must build up Industry so that it will possess Substance, Life, Reason.

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## Education for the Accountancy Profession

By DR. HENRY LAUREYS

*Director, L'Ecole des Hautes Etudes Commerciales,  
Montreal*

(Before the Annual Convention, Montreal, September 8.)

**W**ILL you, first of all, allow me to thank you for choosing to hold one of your meetings in this building and for permitting me to welcome you cordially? I am much impressed with the importance of this friendly gesture of yours; I find in it added evidence that accountants throughout the Province of Quebec seek, whenever the occasion

## EDUCATION FOR THE ACCOUNTANCY PROFESSION

presents itself, to stimulate a spirit of co-operation between their associations and the universities. From the point of view of the future of your profession, I believe that there is no more reassuring sign, since it is proof of your sincere desire to secure for your members a true preparation for the career of their choice. As for the establishments of higher education, such as ours, which have for so many years striven with untiring zeal to develop higher commercial studies, we find in it a consoling assurance that our efforts have not been in vain. We cannot but trust that the good seed which has been sown during the past ten or fifteen years will soon germinate and produce abundant harvests, in the shape of numerous controlling minds in the domain of commerce, in which field accountancy holds a place of honour.

At different times, I have explained before Montreal audiences and in print, the present day requirements with regard to the training of the modern business men. Such remarks apply, in my opinion, almost entirely to the professional training of an accountant. However, the very special work which the latter must execute calls for certain qualities of method and precision,—I may say of minuteness,—that are not required, at least, not in the same degree, of the average business man.

These few considerations lead naturally to the question that I have undertaken to present to you today: the professional training of an accountant.

In the first place, what is an accountant and what is accountancy? Audacious as the question may seem to you, gentlemen, who are all accountants by profession, I do not fear to present it, recalling as I do, in the course of my studies, the many hesitations and halting attempts of the greater number of those who have undertaken to define the science of accounting, the sole purpose of which is to introduce order and exactness in the registration of the facts of Production, Exchange, the Consumption and Administration of economic wealth, as well as in the determining of the results of these facts. And is there not, in that statement alone, a sufficiently comprehensive definition of the science under discussion? I shall not, however, content myself with that explanation; I prefer to offer you the clear and complete definition which I found in a work of the French author, Léautey, himself an expert accountant of wide reputation.

Accountancy, says he, a branch of mathematics applied

## COST AND MANAGEMENT

to economic questions, is the science of accounts bearing upon the product of labour and the transformation of capital.

Its objects are: *1st*, The establishment and employment of arithmetical and statistical accounts grouped in so-called diagraphic accounts; *2nd*, The conception and rational co-ordination of diagraphic accounts of production, distribution, and the consumption and administration of private or collective wealth.

Its purpose, apart from that of securing statistical information useful in the direction of a business, is:

*1st*, To determine the gross or full cost of the products consumed or exchanged by the individuals or bodies of individuals;

*2nd*, To determine the relation between the gross cost and the selling price of these economic values, and, consequently, the results of their exchange;

*3rd*, To rectify, by means of co-efficients determined by experience, the balances of those accounts which represent products susceptible to wastage and depreciation, in such a way as to obtain through these accounts the permanence of inventories without the obligation of effecting a verification of the products not disposed of;

*4th*, To establish at the end of a fiscal period, by employing the diagraphic accounts and by estimating the value of all products unsold, the final inventory and balance sheet of the enterprise.

In the United States, a few years ago, Mr. W. P. Musans, in an article entitled "What is a Certified Public Accountant" which appeared in the *Journal of Accountancy*," thus defined *accountant* and *accounting*:

"Accounting is a general term which comprehends bookkeeping, auditing, system building, etc., just as mathematics is a general term embracing arithmetic, algebra, geometry, trigonometry, etc. The word is used by many as synonymous with bookkeeping. This use is incorrect.

"The popular conception of the meaning attaching to the terms bookkeeper, auditor and accountant is vague. A business man calls a person who keeps his books the "bookkeeper", and that is correct; but sometimes the same personage is dubbed "our accountant" or "auditor" and then the use of the term is usually far from correct.

"In a most general sense an accountant is a person skilled in accounts. Used thus the term is synonymous with

## EDUCATION FOR THE ACCOUNTANCY PROFESSION

bookkeeper. When, however, the terms bookkeeper, auditor and accountant are used with precision, there is a marked difference in meaning, based upon the degree of skill employed.

"A bookkeeper is a person who possesses a thorough knowledge of the principles of double entry bookkeeping, office routine, and kindred commercial subjects, and is capable of conducting properly a set of books for any business, after becoming familiar with the workings of the system in use.

"An auditor is a bookkeeper who, in addition to the usual bookkeeping knowledge, has acquired a thorough knowledge of auditing in theory and practice, and who is capable of conducting special investigations of accounting records of every nature. He requires a much more elaborate academic and commercial education than a bookkeeper and must be practical and thorough in whatever he undertakes. He must be able to compile a report setting forth the result of his examination and comments thereon in clear and proper form.

"An accountant in addition to being an auditor must be skilled as a designer of accounting systems, well versed in business organization and administration, and capable of devising and installing a system of accounts that exactly meets the requirements of a particular business, whether it be a bank, a mercantile or manufacturing establishment, or some other form of industrial enterprise.

"A designer of accounting systems, to be thoroughly successful, must be familiar with auditing requirements, else how can he design a system capable of being readily audited? The auditor fully understands what a system of accounts should reflect, but he need not necessarily be a systematizer in order to be a competent auditor. The accountant must, however, be a practical auditor. This is more clearly understood when one considers that the system the accountant designs is a vehicle for conveying to the management, through the auditor, in the most economical and practical manner possible, the exact results of the business, properly classified, and the condition of affairs at the close of each month, quarter or half-year, as the case may be.

"The work of the bookkeeper is largely routine. The work of the auditor is inspective and critical. The work of the accountant may embody the work of both the bookkeeper



## COST AND MANAGEMENT

and the auditor, but in addition it is largely creative. The accountant must therefore be a bookkeeper, and auditor, and a designer of accounting systems.

"There are comparatively few accountants, as such, in the United States," says Mr. Musans. "The requirements," he goes on, "are great, calling for a number of inherent qualities, such as an inventive mind, power of concentration, adaptability to practical conditions, and ability for clear and logical expression, diplomacy, dignity, etc.

"The combinations of capital, in recent years, and the consolidation of corporations resulting in the formation of vast enterprises requiring complex systems of accounts have created a demand on the part of the captains of industry and through them by the ordinary business public for a higher standard of bookkeeping than was known to our fathers, and a desire for scientific systems whereby graphic and intelligent records of facts may be assembled, and by logical processes reduced to readable forms." (1)

As for the professional accountant, who is not therefore to be confounded with the humble bookkeeper, he must be able to project and co-ordinate the play of all the accounts; that is to say, establish and operate an accounting system covering every feature of the business; he must record all that results from the co-operation of labour and capital in an enterprise. Thus the accountant performs an extremely important and delicate function in various economic fields,—commercial, industrial, agricultural, and even administrative, political, and social, when his activities extend so far. He must give his bookkeeping such flexibility that it may follow minutely the evolution of capital actuated by labour for the purpose of producing new capital. He must be able to show, by means of his accounts, the successive transformations of values invested in combinations of exchange, in manufactures and constructions of various sorts, in the products of the field and forest, in stock-raising, in participations, in co-operations, etc. He must know how to establish most rigorously the cost of all labour and of every production, in order that his bookkeeping may be a genuine guide to the operations carried on. This role extends also to the administration of the municipality, province and state; that is to say, to the facts of labour applied to the management of public affairs.

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(1) What is a certified public accountant? by W. P. Musans, *Journal of Accountancy*—New York, 1915.



## EDUCATION FOR THE ACCOUNTANCY PROFESSION

These few remarks on the importance of accountancy and the professional accountant in the modern world lead me to speak to you forcibly of the necessity of attempting most strenuously to raise accounting to the rank of an exact science, whilst avoiding the empiricism which still reigns in certain quarters, and of the necessity also of popularizing its principles and practice by a well-planned system of instruction which, beginning in the primary and secondary schools, will attain its full development in the special chairs founded for that purpose at the universities and in the schools of higher business education. There it is that the professional accountant ought to find the training in theory which he needs and which should accompany the practice he acquires in the office. The demand for this special training appears to me to be demonstrated by the creation in all countries heedful of their commercial progress, of associations of expert accountants or specialists, such as yours. Everywhere the requirements for admission to these associations are becoming more and more strict, and everywhere, whilst both theoretical and practical training are exacted, the conditions which govern examinations are increasing in severity.

An English review, "The Accountant", gave some time ago a good deal of space to discussions on the subject carried on at "The International Accountants' Congress," at Amsterdam, in 1926. I extract some of the more interesting considerations made by an English accountant, Mr. E. Spicer, F.C.A., which refer to the topic now occupying our attention and which confirm and endorse all I have been saying to you.

"Education for the accountancy profession," says Mr. Spicer, "is a matter of profound importance not only to professional accountants but to the community as a whole, and bearing in mind the fact that the profession throughout the entire world is still in its infancy, that it is growing daily in national and international prestige, and that the scope of the duties of the professional accountant is constantly expanding, it is clear that too much attention cannot be given to the question as to what form of education will be most likely to produce in the future the best type of accountant to uphold the dignity of the profession."

I shall not undertake to describe to you the different methods of work which an accountant has to become fami-

## COST AND MANAGEMENT

liar with. These vary greatly and depend on whether he is engaged in bookkeeping, in the auditing of accounts, in determining cost prices, or in other accounting labours. Other speakers, able to throw on the whole subject the light of personal experience, will address you on these points. For myself I am content to call your attention to the fact that the task of the accountant today is becoming more and more difficult; and that, whatever be the class of accounting with which he concerns himself, there is required of him a much more rigorous and scientific preparation than was formerly the case. The practical part of this preparation must be acquired through actual practice in the office itself; the theoretical part can be given only at the university. In the United States, in England, in the most advanced countries of continental Europe, as well as in Canada, that solution prevails. It is now the unquestioned opinion of all who have examined the matter that the courses of bookkeeping and business-training given in the secondary schools may be sufficient for the training of bookkeepers and accountants for smaller commercial enterprises, but that a higher type of instruction is indispensable for those who would become accountants in the true sense of the word. This instruction must, moreover, be, at one and the same time, both practical and theoretical.

Before I describe to you what we are doing in this institution for the training of accountants, I shall take the liberty of reading another and rather longer extract from the interesting report made by Mr. Spicer at the "Accountants' Congress," at Amsterdam, in 1925, on the subject of the preparation of Auditors or Chartered Accountants in England. That country having been the first nation to give to the accounting profession the importance which it deserves, we may find in Mr. Spicer's words food for thought and especially a goal to which we may strive with confidence and hope—for he aims at a method of training which is comprehensive yet practical, and at a standard which is high indeed but feasible. To business men and accountants like yourselves I need not stress the importance of the attitude revealed in his remarks.

This is what he says:

"The scope of the accountancy profession has been increased to a very marked degree in recent times. The enormous expansion of trade and international commerce

## EDUCATION FOR THE ACCOUNTANCY PROFESSION

and the great increase of credit during the last fifty years have combined to lift the accountancy profession from comparative obscurity to a position of marked prominence. This has been aided, in part, by legislative enactments in England, by which accounts, more particularly of companies, are required to be audited and reported on by professional accountants.

"It is probably correct to say that there is scarcely a concern of any importance in Great Britain which does not look to the accountancy profession not only for the auditing of its accounts, but also for advice on important questions that arise in the ordinary course of its dealings. It is perhaps in the capacity of consultants that the accountants of today are distinguished most noticeably from those of twenty years ago, for they are referred to now not only by trading and manufacturing concerns, but also by financial houses, banks and other operators in the money market. The field of the accountant's professional operations is co-terminous with the limits of business transactions, and there is no branch of commercial activity with which the accountancy profession is not intimately concerned. If the profession is to realize the future which appears to be in store for it, it must equip itself, more thoroughly than ever, to discharge its responsibilities.

"It is indeed difficult for an accountant in these days to acquire the specialised knowledge that is required to enable him to deal with the varied problems which arise throughout the field of his activities.

"It is not easy to postulate the manner in which the profession will meet the present need for specialised knowledge, but it is probable that the first step will be for the partners of a firm to specialize in particular branches of the profession, each becoming an expert in selected subjects. In this way the firm, to the extent to which this is done, will become specialists, and will acquire a special rather than a general practice.

"Such a development seems almost inevitable in the near future, and by bringing accountants into prominence as recognised consultants on the most difficult problems of business practice, the prestige and importance of the profession cannot but be increased."

Further he goes on to explain that:

## COST AND MANAGEMENT

"To become a Chartered Accountant in England, as you know, it is necessary to serve articles with a practising member of the Institute. The normal term of articles is five years, but this is reduced to three years in the case of a graduate of one of the universities. The candidate is required to pass a preliminary examination of a general education character, unless he can satisfy the governing body of the Institute that he has passed some examination which comes within the exempting clause under the by-laws. The regulations governing articled clerks to Incorporated Accountants are similar, and articles are a condition precedent to sitting for the Society's examinations, except in the cases of clerks to Public Accountants of some age and considerable experience in the profession, who are admitted to the examinations under special by-laws.

"A candidate can present himself for articles at any time after passing the age of sixteen, and thus it is possible for a person in England to become qualified as a Chartered Accountant at the early age of twenty-one. Two examinations have to be passed involving tests not only in matters directly affecting accountancy, but in several legal subjects, and it may be said with confidence that the standard of these examinations is high.

"The whole of the special training of an accountant takes place, therefore, after the articles have commenced. At present this special training consists of practical work in the office of a practising Chartered Accountant together with concurrent theoretical training in preparation for the examinations. It is found, in practise, however, that the theoretical training does not commence at the same time as the articles and is not spread uniformly over the term of the articles, being condensed rather into two periods of nine or twelve months prior to the qualifying examinations.

"The main business of every practising accountant is auditing, and it is usual to employ the newly bound articled clerk upon elementary detail work in connection with audits.

"It is submitted, however, that where the articled clerk has had no preliminary theoretical training, this practice is unsound for three reasons:—

1. Nobody should be employed to check the work of other persons unless and until he himself is capable of performing that work.

## EDUCATION FOR THE ACCOUNTANCY PROFESSION

2. In the early stages of his training the article clerk often spends much time in performing work, the true significance and importance of which he does not fully understand. He is working, therefore, to some extent, in a mechanical manner which is to be deprecated and he is not deriving from his practical work the benefit which would accrue to him had he received preliminary theoretical training.

3. Experience has proved in the case of other professions, notably the medical profession, that theory must precede practice if the best results are to be obtained, and it is difficult to see why this rule should not apply to the accountancy profession with equal force.

"The education of the professional accountant must be based on knowledge acquired by theoretical means augmented by empirical training. Neither means is sufficient by itself, and it is only the combination of the two that is effective in producing the really expert accountant.

"It is suggested that the standard of this preliminary theoretical training should be such as to ensure that the candidate for articles has a complete understanding of the principles upon which the keeping of accounts by double entry are founded, since it is by a mastery of these theories that he is enabled first to see the ultimate effect of any entry which is made, secondly to give effect to adjustments without having to revert to precedent, and thirdly to comprehend the nature of transactions of every kind even apart from an inspection of actual entries in the books.

"The candidates for articles should also have some knowledge of legal principles since every commercial transaction has a legal consequence, and the person entering into it is assumed to look to that consequence.

"In the accountancy profession legal matters are continually arising, and this applies particularly in the case of the audits of limited companies. Moreover, unless the legal effect of a transaction is appreciated it cannot be correctly recorded in terms of accounts.

"It is not proposed that his preliminary theoretical training should involve any profound knowledge of the law, but it should be sufficient to enable the article clerk to appreciate from the start the general principles of the law applicable to all business.

"General commercial knowledge should also form part of this preliminary theoretical training, and it is submitted

## COST AND MANAGEMENT

that no person should be articled until he can read with understanding the money article in the leading financial newspapers.

"This will involve a general study of the principles upon which particular types of business are conducted, such as banks, insurance companies, stockbrokers and stockjobbers, and the knowledge thus acquired will enable the articled clerk to apply recognized principles to concrete matters, and visualise the ultimate effect resulting therefrom.

"The question of being able to speak fluently and to read at least one foreign language is a matter of great importance to the rising generation of English professional accountants. In the past very little attention has been given to the study of modern languages in England, but this state of affairs, however, is fast becoming impossible, largely owing to the growth of international business, and it is submitted that the English accountant of to-morrow must be able to understand and speak at least one important language if he is to hold his own and efficiently serve his clients.

"From an English point of view the most important languages are undoubtedly German, Spanish and French, and if it could be arranged that a mastery of one of these languages were an indispensable qualification to articles, great encouragement would be given to English parents to provide facilities for their children to learn these languages during childhood.

"After the theoretical examination had been passed at an age of not less than nineteen years, articles would commence and they should, it is submitted, last for at least three years.

"During the term of the articles the clerk would obtain practical experience in as many branches as possible of accountancy work, and he would, at the same time, continue his theoretical training. He would be required to pass two examinations before becoming qualified as a Chartered Accountant. The second of these examinations, taken at the end of the term of articles, should, it is thought, be of a severely practical nature and should demand, among other things, a high standard of efficiency in report writing and self expression.

"It is believed that the theoretical training received prior to articles would enable the practical work to be done

## EDUCATION FOR THE ACCOUNTANCY PROFESSION

more thoroughly and intelligently than is possible in present conditions, and the continued theoretical and empirical training during the term of the articles would be the more productive by reason of the sound foundation upon which it was built." (1)

Thus you see the conclusions we must draw from these remarks are precisely those which I formulated a few moments ago. They appear to me to apply not only to the training of an Auditor, but also to that of the chief accountant of any great enterprise.

In the Province of Quebec, and especially during the present year, we have put in effect a somewhat similar programme. The applicants for admission to our three great associations: the C.A., C.P.A. and L.I.C., are required to attend either the courses specially organized for them at McGill University or at the School of Higher Commercial Studies, and to pass in a satisfactory manner certain examinations covering the field of general knowledge and the special field of law, mathematics, and accountancy. In order to prepare our youth for these examinations and for the career of accountant in general, the School of Higher Commercial Studies of Montreal organized some years ago its day courses which extend over 4 years, its evening courses over 2 or 3 years, and its correspondence courses which include all the subjects that the applicant is required to have some acquaintance with.

It is to be hoped that more and more importance will be attached to that scientific training of accountants which alone can be acquired through study. I believe that it would be desirable, too, to unify the profession of auditor as much as possible. Each province, in my opinion, should have but one association of auditors, as it has but one association of engineers, architects, physicians, and dentists. If all the members of these provincial associations were subject to the same conditions of admission, it would then be easy to form a federation extending throughout the Dominion. The standard of the examinations should be as high as possible and much importance should be attached to general education. Even such specialized bodies as yours, or those formed simply of accountants employed in business houses, such as the General Accountants' Association (C.G.A.), should lay down rigorous conditions for admission, and examin-

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(1) "The Accountant"—No. 2694—London, 1926.



## COST AND MANAGEMENT

ations, following sufficient study, should be held before examiners drawn from the universities so that the certificates of competency which are awarded may possess unquestionable authenticity and value. The future will prove to you that, by following these principles, the profession of accountant may attain its fullest and most normal development, for the greater advantage not only of the accountants themselves, but of commerce in general, and thus of the nation as a whole.

Permit me to add a very brief, yet I trust illuminating resume of our special endeavours, along the lines I have indicated, in the institution which has the honour of making you most welcome this morning. "A threefold cord is not easily broken," says the proverb; and we of the School of Higher Commercial Studies—the faculty of commerce, the school of business administration—call it what you will—of a young but virile university, are a little proud of the fact that here the young French-Canadian may find in active operation that specialized training in accountancy which the needs of business life today so strenuously demand. Our day courses include: a complete training in accountancy and banking; a practical laboratory of every conceivable business transaction; full instruction in commercial law; in technology and the management of enterprises; in languages and mathematics; in physics and chemistry; in history and geography viewed from the world-angle so necessary today. Our evening courses, which are largely attended, give within their limits a similar training to those who are already engaged in business and despite their handicaps want to get on. This Fall, in common with McGill, we offer for the first time, in immediate response to the new regulations, a complete evening training for the examinations of C.A. of L.I.C. and of C.P.A. Nor is that all. By carefully constructed and skilfully conducted courses by correspondence—organized and run by men of experience who form an integral part of our regular faculty, our staff of university professors—we have thrown wide open to the enterprising young man of today in this Province of Quebec the gates of opportunity. Here we claim with confidence that we are able to give a training intensely practical, really up to date, yet based in accordance with inherited traditions and of fixed principles, on the firm foundation so necessary today. I mean simply this—that specialized training, if it is to succeed in the real sense of the word, must be



## CANADA'S WHEAT CROP

built up on a broad general culture, a realization of world-movements in finance and commerce, and on an educated attitude to life.

An ample library, well stocked with books in both languages; a reading room receiving weekly and monthly the leading commercial and industrial journals of the world; a commercial and industrial museum which we are to have the privilege of showing you this morning are integral parts of our institution. Here, too—so much needed in the Province of Quebec, and so much prized when found—is a fully equipped English department, with a staff of English-speaking professors, giving to all who come within our field of endeavour a practical training in what is for our young men a vital matter.

May I conclude by asking your sympathetic interest in our institution; your word of encouragement in its work; your appreciation of its contribution to "Education for the Accountancy Profession?"

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## Canada's Wheat Crop

By SANFORD EVANS

*Winnipeg, Man.*

(Extracts from an address before the Annual Convention, Montreal, September 7.)

**I** SHARE with you your regret that Dr. Magill was not able to fulfill his engagement to speak to you today. I know that it was with great regret on his part that he had to forego this pleasure, because he fully appreciated the importance of this occasion.

May I, in explanation of the kind introductory remarks of the Chairman, make it clear to you that I am not a member of the Winnipeg Grain Exchange, nor am I a grain trader, and I have no interest in any grain company.

I was for many years a student of grain problems, and am to-day publisher of a grain trade paper, and I have connections and interests which keep me in close touch with the grain situation.

With that explanation I will be more free to make some of the statements which I think should be made about

## COST AND MANAGEMENT

the Grain Exchange and the grain trading system, than would a member of the Grain Exchange.

Perhaps, before dealing with the subject which you have on your paper, it might be well to glance at the world supply.

Wheat is produced in all parts of the world; in some seventy different countries. Not all of those countries keep statistics; the principal country, of which that is true, being China, which is a really large producer of wheat, but China does not know how much it produces, and therefore cannot tell us.

In the statistics of world production, as complete as they can be made, there is included, probably, only about eighty per cent. of the actual total wheat production of the world. Estimating the full quantity, we may say that the world's crop of wheat varies every year from forty-four hundred to forty-seven hundred million bushels. There is a variation, from year to year, often, of three to four hundred million bushels.

That, in itself, is a large quantity, but, looked at as a portion of the whole, it is only a change of a little less than ten per cent.

There is, therefore, considerable stability about the supply of the world's wheat, the fluctuation being only about ten per cent.

The production of wheat throughout the world is, and has been, showing a steady tendency to increase, and so has the world's consumption, but the latter, perhaps, is only substantially in proportion to the increase in population of the wheat-eating countries. A little may be due to the conversion of non-eating States into wheat-eating States, and that process is slow.

In the world there are, undoubtedly, more people who never eat wheat than there are of those who do eat it. Wheat is one of the very best of foods, but it is only one of a great many foods, and even for the part that it plays in the regimen, there are substitutes or partial substitutes. Rice is the principal substitute, in quantity; Rye is another, also Oats and Corn to some extent, and then, of course, in countries like India, Millet is used. Then, as partial substitutes, potatoes and other vegetables. So, the problem of wheat is

## CANADA'S WHEAT CROP

related, really, to the problem of the aggregate of all the foodstuffs in the world.

So much for the general world situation.

As regards the hemispheres, more than over ninety per cent. of all the wheat is grown in the Northern Hemisphere, and less than ten per cent. in the Southern Hemisphere.

Not less than seventy-five per cent. of the world's wheat is gathered in three months, probably, at least, ninety per cent., within six months. These figures give us some indication of the magnitude of the wheat storage problem, because it is used throughout the twelve months of the year.

Coming now to Inventory Countries, the largest producer of wheat, in the world, is the United States; Russia, before the war, and even to-day, is second largest; China would rank next to Russia, and Canada comes next, probably the fourth largest producer, and certainly the third, among countries for which we have accurate statistics. Canada is followed by India, and that by France; France, by Argentine, and that by Italy, and so on.

Some of the countries in the world produce more wheat than they consume themselves, and some, less. The world, therefore, is divided into surplus and deficiency wheat countries, and the transfer of the surplus from the former countries, is the international trade in wheat.

The principal surplus-producing countries are those whose names are familiar to everyone: Canada, the United States, Argentina, Australia, India, Russia, the Danubian Countries; Rumania, Jugo-Slavia, Hedjax, and, to a certain extent, Belgium; then, Algeria, Tunis, and Chile in South America, also Uruguay adds to the exports which come through the Parana River. It is the statistics of these countries that we read in the trade statistics reported in the press.

There are, however, many more countries which, at least upon occasion, export a little wheat or flour, or both. The total list of countries in the Export column, is about sixty-three in number, and, while the total from all those other countries is relatively small and exercises only a minor effect on the general condition of the market, yet it has its importance, and it must be remembered if anyone is contemplating the possibility of any group so controlling the market that they should dictate the price to the consumer.

## COST AND MANAGEMENT

So much for the general situation.

The Chairman has set the total exports for last year at eight hundred and thirteen million bushels. The average of the past four years was seven hundred and twenty-five million. That is the total amount which passes in international trade.

Now, that represents about one bushel in every six grown, which means that five bushels are eaten in the country where the wheat is grown, as against one bushel which changes from one country to another. It means that every bushel of exported wheat has to enter into competition with five bushels of domestic, looking at the problem as a whole.

Of the wheat exported—and, perhaps I should mention—in regard to Continents, it often is not appreciated that Europe produces more wheat than any other country. In a year she will grow about eighteen hundred million bushels, four and a half times as big as the Canadian crop. Europe produces from three to five hundred million bushels more than North America.

I have mentioned the high-surplus countries of Europe. The deficiency-countries of Europe form the chief market for export wheat and flour. Europe now takes between seventy-five and eighty-five per cent. of all the world's shipments. Europe, therefore, is really the dominating factor in world trade of wheat and flour.

Of the deficiency-countries—of those that are important—the United Kingdom is outstanding, for the United Kingdom imports four bushels for every one it grows, and the United Kingdom absorbs one-third to forty per cent. of all the exports that go to Europe. That, in general is the case with international trade.

Under all these varied conditions, we find, as an actual matter of fact, that every year the world's surplus is distributed so regularly, and with such apparent intelligent arrangement and adjustment that, I am confident in saying, no one here has ever heard of a district, of any importance, which had money enough to buy wheat, and wanted it, which has ever lacked it, and we do not hear of uncomfortable surpluses being left over.

Speaking very broadly, let me say that there is always enough, and never too much wheat. There is always wheat to buy, and, in fact, that movement proceeds so steadily and

## CANADA'S WHEAT CROP

with such satisfactory adjustment that it attracts very little attention, and the mass of the people hardly realize the work which goes on to bring about that result,

Coming now to Canada—Canada is the fourth producer, in size, but in recent years it has been the first as an export country.

Let us say that Canada's crop is about four hundred million bushels, and we export three bushels for every one we keep at home, our exports running three hundred million bushels, more or less, and, as the Chairman has said, our exports during the last few years have provided forty per cent., or a little more, of the total international trade in wheat and flour. That is, Canada occupies a very important place, but it is not necessarily a place of very great strength for Canada, for if we have to sell one bushel from Canada, for every one and a quarter bushels on the markets that Argentina, Australia, India, Roumania and the Balkans, all combined, require to sell, that is a task in salesmanship which provides its difficulties, although it is a satisfaction for us to know that we occupy such an important place.

Of the wheat produced in Canada last year, ninety-three and a half per cent. was grown in the three Prairie Provinces of Manitoba, Saskatchewan and Alberta, and, because of that fact, I will refer, in what follows, particularly, to the problem as viewed from those three Provinces.

Now, what is the chief problem with regard to wheat movement and distribution? That problem is to take the wheat from the farmer, who grows it, and deliver it to the ultimate consumer of wheat—perhaps, we may say, to the miller, wherever he may be, all over the world.

You have the producer, at one end, and the consumer at the other. Now, the conditions of these two are not the same, and we find, therefore, that there are two important regulating influences on the trade, one from the producer and the other from the consumer.

The consumer eats wheat day by day throughout the year. As the consumer takes his bread, or his flour, so, the baker and the grocer buys from the miller. As those buy from the miller, so he grinds—he does not grind a supply and leave it for future sale—if it does not go into actual consumption, he will slow down on his grind. Then, the miller buys his wheat, as he requires to mill, and as the consumer consumes.

## COST AND MANAGEMENT

If you start at the other end, the farmer gathers all his wheat within a month or so. Owing to the condition of the road and his financial condition, he desires to place the wheat on the market, and, in these three Provinces of the West, for a great many years, it has suited the convenience of our farmers to deliver sixty or seventy per cent. of the total within three months.

So, you have great deliveries coming from the farmer, which you cannot regulate, unless by some law you could direct that this farmer should only market so much this week, and another so much that week. You must let the farmer market his wheat as he likes, but you cannot get the consumer to take it that way. You must arrive at an adjustment between the way it flows in and the way it flows out.

In Canada that adjustment is brought about in, what we may describe as, three main zones. To-day I will speak only of the movement eastward.

The eastern limit of our first zone, is Fort William and Port Arthur; that is the sphere of the primary market. There is another sphere from Fort William and Port Arthur to some place in Eastern Canada and the Eastern United States.

Canada can control and regulate these two zones, but Canada loses control at the seaboard, and from there the movement comes under the domination of the consumer, and the way he wants the wheat, and it is correct to say that Canada does not export wheat, but that Europe imports it, and the distinction is a very vital one.

Let us look at our three zones. Your farmer, as soon as he has threshed his wheat, makes his deliveries to suit his convenience, and it is therefore necessary to have a plan adequate to meet the way the farmer wants to deliver. It may not be economical, but it is necessary to meet that condition.

The farmer, in September, October and November, according to how early or late the harvest is, pours in a vast quantity of wheat to the country stations. Sometimes, for days and days, the rate of that delivery, if spread over twenty-four hours, would be equal to delivering two million tons a second, day and night.

Provision is made for receiving that wheat in four thousand three hundred country elevators, each capable of

## CANADA'S WHEAT CROP

holding thirty thousand bushels, or more, about a hundred and forty million bushels in all.

In addition, the Government required the Railways to erect almost two thousand loading platforms, on which the farmer can drive up in his cart and load the car. There is a loading platform at almost every elevator point, and some at places where there are no elevators.

Now, when the farmer comes up with his wagon-load of wheat, he has several options, any one of which he may exercise. At this stage, I will not refer to the pool, directly, because it would perhaps be better to briefly describe the basic system.

The farmer has several options. He can sell to the elevator operator, and there are some times three, four, five or six at one point. When that is the case, the elevator operator looks at the wheat, samples it, and they agree that it is of a certain grade. They both know the prevailing price at Winnipeg, and, on the basis of this current price at Winnipeg, they agree on a price per bushel, for that load.

If an agreement is reached, the grain is weighed and put through the elevator, a certain amount of screenings taken out, and the Elevator Operator gives the farmer, what is called a cash ticket, which he can take to the bank and get cash in full immediately.

The wheat so purchased and disposed of is called "Street Wheat." The farmer need not accept the offer of the Elevator Operator, and he has the right to require that Operator to put it in his elevator, and, in doing that, the rates which the Elevator Owner can charge are governed by the Board of Grain Commissioners, and the rates are low, so that the farmer knows just what the storage will be.

Or, the farmer can order a car himself to the loading platform, and load his wheat, without further charge, and our law is so passed that an individual farmer is recognized equal to an elevator company in the securing of cars from the Railways, and the individual farmer can get one car for every one car the Elevator Company can get, at the same point, provided his name is on the list, which is kept under the provisions of the statute.

Then the farmer, a little later, if he has not sold, can order a car to come to the elevator, and if he loads it, there are certain alternatives: he can sell his wheat, in the car; it becomes known as "Track Wheat", and there is a regular

## COST AND MANAGEMENT

daily market for track wheat, and he knows the prices. Or, he can forward his car, and send the documents to any commission agent or broker, and instruct him to hold those documents until he gives word to sell, and the grain will go forward to Port Arthur or Fort William and lie there until he orders the sale.

Any commission merchant will make advances to the farmer on these documents, and when it is finally sold, the balance is paid over. Wheat is what is known as a cash commodity, in any position, no matter where it is, you can sell it and get spot cash.

I may say that the Elevator Companies, under the Act, have the right, if the wheat is put in storage, to move it forward to the terminals, giving the owner a terminal warehouse receipt for it, so as to allow for receiving additional wheat.

So, this wheat flows East in a great stream, and it is often true that for three months Railways will load and move as much as two thousand cars of wheat a day. There is no other part of the world where an equal movement takes place.

The wheat passes certain inspection points, the chief of which is at Winnipeg, although there are also some at Moose Jaw and at Saskatchewan. All must be inspected by Government Inspectors, so that no Canadian wheat can enter commercial channels without receiving or bearing a Government grade.

The great part of that inspection is at Winnipeg. Sometimes up to three thousand cars a day are inspected by the large staff there. A car is probed, samples taken to the offices of the Grain Exchange and subjected to test, and a certificate is granted, which certificate travels with the car to Fort William and Port Arthur.

So great is the movement that, from Winnipeg, in the autumn of a large crop, there is a loaded train of wheat, of forty cars, leaving Winnipeg yards every twenty-five minutes at night. The people of Winnipeg hardly realize there is such a large movement taking place, so efficiently do the railways do the work. More wheat passes through Winnipeg, by far, than through any other point in the world—a good deal more than Minneapolis and Chicago combined.

The wheat passes down to the terminals and is put in storage there. The storage elevators at Fort William and



## CANADA'S WHEAT CROP

Port Arthur are the primary markets. The Winnipeg quotations are the prices of wheat in store at Fort William and Port Arthur.

That wheat, as it arrives at Port Arthur and Fort William, is the property there of the primary merchants, the elevator company, etc., including the Pool, or it is the property of the individual farmer. Practically all that wheat changes hands at Fort William and Port Arthur—your primary merchant, or your farmer, sells at Fort William or Port Arthur.

At Fort William and Port Arthur there exists the largest storage capacity at any one point in the world—something over sixty million bushels, and that storage capacity is regulated in accordance with the requirements created by the farmers, by the way they deliver.

That grain, at Fort William or Port Arthur, is sold to another class, whom we will call the "shippers." These are the men who move the grain from Fort William and Port Arthur over to this side of the Great Lakes, within reach of the Atlantic seaboard. The principal among these men are exporters also, but there is a separate function in moving that grain over, because there is another market East of the Lakes. Grain, of course, may be purchased direct in Fort William or Port Arthur by the European Importer, but we are coming to another function.

There is moved from Fort William and Port Arthur, during open navigation, enough wheat to provide the monthly export demand during those months, but, as it comes towards the end of the navigation season your shippers and exporters move over the Lakes the quantity they think will meet the export demand during the winter, and the Lake movement at the close of the season is extremely heavy.

The conditions on the lakes themselves make that practical. Lake traffic is an extraordinary thing. As much as sixty million tons of iron ore may be moved by the American lake fleet—that would be equal to two thousand million bushels of wheat in weight. If the Grain Trade requires large vessel accommodation for two or three weeks, it is necessary only to bid enough to prevent the iron ore boats tying up then instead of continuing for another two or three weeks. With these vessels we can move five, six or seven million bushels a day.

## COST AND MANAGEMENT

There is no port in the world that can handle the quantity of wheat that Fort William and Port Arthur can, in lake shipping. This is partly due to the existence of so many elevators, with the most modern equipment, but it is also due to the system. There is no question that the facilities for grain handling in Western Canada are more efficient and more economical than in any other part of the world, including the United States.

One of the features of the system, which makes it possible to handle such large quantities there, is the organization of the Lake Shippers' Clearance Association. If I purchased a certain quantity of grain, it would be in a particular elevator, and yours would be in another. If you have ten, twenty or thirty lake vessels coming up to load there may be one or two at the elevator where I have my grain. I have chartered that vessel. Is it to tie up until those other vessels clear? No. Through the Lake Shippers' Clearance Association, the Manager at Fort William will instruct that vessel to tie up to any elevator which has a vacant berth and take from that elevator whatever grain I have agreed to ship.

It is another Party's wheat, but that is all right: the Manager simply transfers the ownership of that wheat to me, so that, unless every berth on every elevator is filled, a vessel gets immediate dispatch, and a grain vessel can turn a great deal quicker in Port Arthur or Fort William than it can in Duluth.

Now, what is the shipper's problem? A certain amount is going into consumption in Eastern Canada. What of the balance? Where will it be put? Not at a seaboard port, because if you have your grain stored at any seaboard port, you have a limited range as to what you can do with it, under certain conditions.

An order may come from Italy for sixty thousand bushels, for prompt shipment; if there is not a liner sailing from Montreal or New York for Italy, within that time, you cannot handle the business.

The shipper will place his wheat in a strategic position, with regard to the seaboard, and such a position is at Buffalo and at other points on Lake Erie, and your shipper distributes what he moves over, as between those two points, with reference to what he estimates will be the opportuni-

## CANADA'S WHEAT CROP

ties for moving through the seaboard ports of the United States or those of Canada, for the winter. Thus, from the seaboard on, the dominating influence is the Consumer.

As a matter of fact, our wheat and flour from Canada do go out with surprising regularity on the sea. Our Customs don't show that, because they report, as exported, the wheat that is moved over into positions in United States Elevators for this winter movement.

Europe does not store imported wheat and flour. It does not buy to store it at the end of the journey. They pull as they require, always keeping on the ocean a big quantity of wheat moving towards the United Kingdom.

So much then for the general features of that seaboard movement.

Coming now to the trading system: It is quite evident that a good many functions are involved in the moving of that wheat. It will necessitate changes of ownership, sometimes many, sometimes not so many, in the process.

I think it must be obvious that in this wheat business a middleman, to function, is absolutely necessary. The farmer could not get in touch with the individual consumer and provide the quantity required at the time required, and, whether that middleman function is performed by a group or by independent traders, does not affect the principle.

That function is absolutely necessary, and, in performing it, provision must be made for changes of ownership, and those changes should be made as easy as possible.

That requires, ladies and gentlemen, that there should be some place where buyers and sellers can meet, for market purposes, otherwise, you could not do business fast enough not to check that tremendous flow going on minute by minute, hour by hour and month by month, throughout the year.

The Winnipeg Grain Exchange provides the chief market place, for Winnipeg, where buyers and sellers can meet, and that is the chief function of the Grain Exchange.

The Grain Exchange does not buy or sell grain; it does not fix prices. As an Association, it provides a trading room, equipped with telephone, telegraph and cable service, and statistics from all over the world. It provides rules for the orderly conduct of members while trading. It goes further, and provides ways and means to assure the carrying

## COST AND MANAGEMENT

out of any trade or contract made on the floor of the Exchange.

Further than that, it provides the means of arbitration in disputes between members; it also fixes the commissions for brokers and commission houses, and they cannot charge more to anyone than the commissions fixed at Winnipeg, which are lower than those in the markets of the United States.

Beyond that, the Grain Exchange does nothing, and it should not be suspected of doing anything else, because it does nothing else. The Winnipeg Grain Exchange is not even incorporated. It has no privileges under the law; it is strictly a voluntary association, which will continue to hold together as long as it gives service, at reasonable cost, and, when it does not, there is nothing to stop its disappearing.

As the hour is late, I will condense what I have still to say. At the Winnipeg Grain Exchange, agents of all the world's buyers and sellers meet to conduct business.

There is another thing which I would like to call to your attention, and that is, the fact that the speculative risk is unavoidable in all commodity transactions. How can a man, in the country, buy from a farmer, for spot cash, on the basis of to-day's quotation, when it will be two weeks, or probably two months before he can get it forward to Port Arthur or Fort William, and the price may have gone up ten cents a bushel?

On the other side, taking the contrary risk, your miller must make his quotations ahead, for his flour. A miller will put flour prices for three or four months ahead. He has not got the wheat—how can he make that price? He incurs the speculative risk; the price may go up, but it may also go down.

You have these two opposite risks. Suppose all these risks were pooled, then they would practically be eliminated; five cents change in price is five cents gained for someone, and five cents lost for someone else. If you pool those two risks, the risk is practically eliminated.

The pooling of these speculative risks, for grain merchants, is the chief function of what is known as the Futures Market. I cannot explain why it is, and how it is, that the Cash and the Futures prices come to move together, but they do, within certain limitations. Your Cash can never fall

## CANADA'S WHEAT CROP

far below your Futures, but you may have to pay a little higher for Futures, because of local conditions.

Your man in the country, with ten thousand bushels, comes in to the elevator, and the elevator buys it for spot cash. He notifies his Winnipeg office, and it goes on the floor of the Exchange, and they sell what they call Futures, for ten thousand bushels.

In Futures trading you deal in contracts for delivery of wheat in some specified time in the future. When you deal, you make a deposit, which corresponds to a margin. Your trade is entered in the Clearing House Association of Future Traders, by the manager of that Association; it is entered in your book, and your account is kept by this Association.

At the close of every market day, you must pay in, or receive from the Clearing House, a cheque to adjust your clearing prices to the closing prices of that day.

Every day, the Clearing House has in hand enough money to go out and make good that trade that was entered into, and, if that Clearing House should fail to collect what it should, then it has to make it good out of its own capital. It has quite a large reserve fund.

So, there is no greater security in commerce than Hedged Grain. The contract is absolutely secured, because the money is kept on hand to make it secure.

Now, your man in the country has sold his ten thousand bushels in the Futures Market, as against the ten thousand bushels he bought in the country. He sells that, and buys, against the sale made in the Futures market, and, in the majority of cases your Futures Market has gone down, so he buys his Futures for five cents less than he sold, and it makes five cents lost on his Cash trade.

That is the only reason the Grain Business can be done on the narrowest margins that exist in Commodity Trade. If we had that system in all commercial transactions, we would not have the financial crises that we have had, to the extent we have had them.

Of course, that market affords an opportunity for speculation. The wheat merchant is not speculating; he is merely securing the original margin which was contained in the price he paid the farmer. For the speculator there is opportunity, in dealing with his contracts, and there are, undoubtedly, occasional evils in speculating, but there are,

## COST AND MANAGEMENT

up to certain limits, valuable functions performed by that speculator, which tend to keep prices down to the real level of what they should be.

Of course, the Futures Market does afford an opportunity for the public to go in, in a mob, which they sometimes do, and that is the only real disturbing factor in the Grain Market. The public will go in on a Bull market and all will want to buy, and they will buy heedlessly, and force the market to an unnatural level, and then nobody wants to buy, and it crumples, and a few get out, but the majority cannot. The public, in a mob, should always stay out, because they will always get hurt, but a certain amount of speculation does help to keep the markets liquid, so that at any moment you can put through a trade.

The co-operative enterprise began about 1923. During the war, under the Wheat Board, there were high prices, because the year of the Wheat Board was the year of the peak price in the world, due to the war. Deflation of all values began immediately. The farmers of the West became anxious and alarmed at the decline of prices, and they began an agitation for the re-establishment of the Wheat Board, hoping that it would bring back the high prices by checking the decline.

They tried the Government for three years, and they failed. In the meantime, someone suggested that they might accomplish this by a co-operative undertaking, and all this agitation which went on for three years accounts for what is a remarkable working of an organization to bring about this great body.

The Wheat Pool has not altered anything in the system which I have, very briefly, described; the handling at the country elevator is just the same.

The Wheat Pool has made contracts with the regular elevator companies, and they are acquiring elevators of their own. The trade elevators handle their wheat for them; the trade finances or advances payment and delivers the stuff to the Pool.

The farmer delivers in just the same way; the grain moves down the locks in just the same way; the grain goes out on the ocean in just the same way, because it is controlled by the demands and needs of the Importer.

The Wheat Pool is a member of the Grain Exchange; it trades in the Futures market. It is a member of the Clear-

## CANADA'S WHEAT CROP

ing House Association. It is a member of the Lake Shippers' Clearance Association. It sells Cash wheat as well as Futures on the Winnipeg market. It talks a good deal about selling direct to the Consumer on the other side, but that is the function of the Exporter.

They have not stopped speculation; the volume of trade of the Winnipeg Futures market has been as great since the pool as it was before.

The basis on which the Pool negotiates its selling abroad is the basis of the prices on the Winnipeg Exchange. The Pool is another big trader, doing business in practically the same way.

The chief difference is that the Pool distributes the money to the farmer, by dividing up the net amount which they have received for the wheat. For the last three years, the net amounts have not equalled the averages of the daily closing prices on the Winnipeg Exchange.

The Pool handles the primary stage, but it also handles right through to Europe. The Pool set out to give the farmer the European price, less cost, but what they have returned to the farmers, up to date, has not equalled, in any year, the basis of the primary prices at Fort William or Port Arthur.

The Pool has not proved yet that it has made any savings, and I don't think it is possible to do so; because it came into the most highly organized machinery of commodity trading that there is in the world, and a commodity in which there existed both bulk handling and grading. You require both of these for a successful market. Here we had both, under Government direction.

The facts of last year show that the consumer is one of the chief factors against the producer, in competition. The consumer is still as big a factor as he ever was before, and price is your natural regulator.

Looking at the Exchange, and hearing only the noise, and hearing only about gambling, and seeing in it only gambling, you don't see the picture at all, because, while evils may creep in, that movement is regulating price, and price regulates movement. If the surplus is moving out too fast, your price will rise, not fall; if it is going out too slowly, your prices will go down.



## COST AND MANAGEMENT

### CHAPTER PROGRAMS, 1927-28

(Montreal's program was given in our September issue.)

#### TORONTO

1927

- October 12.—"Monthly Profit and Loss from a Standard Cost System," D. C. Patton, Sec'y-Treasurer, Sangamo Electric Co. Ltd.  
October 26.—"Plant Engineering Relations to Costs," H. F. Wilson, Production Engineer, Wilson and Fessenden, Kitchener, Ontario.  
November 9.—"Preparation and Administration of a Budget for the Motor Industry," J. E. Carruthers, Export Manager, Durant Motors of Canada, Ltd.  
November 23.—"Accounting and Budget Control," John E. Goldring, Comptroller, Robt. Simpson Co. Ltd.  
December 14.—"Business Forecasting," W. Gordon Mills, Treasury Department, The T. Eaton Co. Ltd.

1928

- January 11.—"Time and Motion Studies," Carl B. Prosser, Cost Accountant, Toronto.  
January 25.—"Factory Overhead in the Stove Business," R. Oaten, Secretary-Treasurer Gurney Foundry Co., Ltd.  
February 8.—"Cost of Distribution and Its Control," W. A. McCaffrey, Cost Accountant, Office Specialty Mfg., Co., Ltd., Newmarket, Ontario.  
February 22.—"Standard Costs as Applied to the Drug Business," Thos. S. Jardine, Cost Accountant, United Drug Co., Ltd.  
March 7.—"Management Based on Facts," G. H. Houston, Secretary-Treasurer, Rolph, Clark, Stone Ltd.  
March 21.—"Interpretation of Business Statements," H. E. Guilfoyle, C.A., Clarkson, Gordon & Dilworth.  
April—Annual Dinner—Notice and details to be given later.

#### HAMILTON

1927

- October 26.—"The Canadian Society of Cost Accountants and its Activities," Lorenzo Belanger, C.P.A., L.A., C.G.A., President of the Canadian Society of Cost Accountants.  
November 7.—"Members' Problems."  
November 23.—"Budgets and Pre-determination of Costs," R. L. Wright, M.A., Vice-President, The Wahl Company, Toronto.  
December 7.—"Costs from an Executive Viewpoint," J. C. Callaghan, Works Manager, Canada Works, Steel Company of Canada.  
December 14.—"Statistical Data," Arthur Lazarus, Metropolitan Life Insurance Co.

1928

- January 18.—Plant Visit; "Detailed Operation of a Cost System," Robert Dawson, The Hoover Company, Limited.  
February 8.—"Industrial Photoplay, The Age of Speed," Courtesy of The Norton Company of Canada, Ltd.  
February 22.—Plant Visit, The International Harvester Company of Canada, Ltd.  
March 14.—"The Value of Technical Accuracy in Business," Professor E. H. Morrow, Head of Dept. of Business Administration, Western University, London, Ont.  
March 28.—"Preparation and Administration of a Budget for the Motor Industry," J. E. Carruthers, Export Manager, Durant Motors of Canada, Ltd.  
April 11.—Annual Banquet; Speaker to be announced later.



